Chapter 7

Private Health: Approach and Data Requirements

This chapter provides specific instructions on the health component of the International Comparison Program (ICP). This component is classified as one of the comparison-resistant areas of household consumption, and thus special attention must be paid to comparisons of health-related products and services across the ICP participating economies.

BASIC HEADINGS COVERED

The basic headings related to health products and services are split into household and government expenditures (see tables 7.1 and 7.2).

These guidelines cover those basic headings for which price surveys were conducted for ICP 2011. Chapter 24 is devoted to reference purchasing power parity (PPP) basic headings. Data collection related to compensation of employees is described in chapter 10 on government.

The importance of basic headings is measured by their expenditure shares of consumption. As for the approach to determining the importance of a product, the normal ICP 2011 routines are applicable to the basic headings and items covered in these guidelines. For additional information, see chapter 4 on household consumption.

MEDICAL PRODUCTS, APPLIANCES, AND EQUIPMENT

Pharmaceutical Products

Pharmaceutical products constitute a large component of household consumption. This price survey is unique because it involves specifically trained staff, meticulously designed product specifications, monitoring of price variations over space and time, and a specific survey design. For ICP 2011, the survey was conducted quarterly.

The pharmaceutical products survey was designed by the ICP Global Office in cooperation with the ICP regional coordinating agencies (RCAs) and the World Bank's Health Department. An international list of 43 essential drugs was developed. This multilateral exercise sought consistency in commonly prescribed medicines to ensure comparability across ICP economies and regions. A description of the survey procedure follows.

Survey Design

The ICP national coordinating agencies (NCAs) coordinate the survey at the economy level and liaise with the pharmaceutical products outlets (pharmacies). The outlets are selected from various locations representative of potential price heterogeneity in the economy. The more

Table 7.1 Health Expenditure by Households, ICP 2011

Code	Aggregate or basic heading	Data source
110000	**INDIVIDUAL CONSUMPTION EXPENDITURE BY HOUSEHOLDS**	
110600	HEALTH	
110610	MEDICAL PRODUCTS, APPLIANCES, AND EQUIPMENT	
110611	*Pharmaceutical products*	
110611.1	Pharmaceutical products	Price survey
110612	*Other medical products*	
110612.1	Other medical products	Price survey
110613	*Therapeutic appliances and equipment*	
110613.1	Therapeutic appliances and equipment	Price survey
110620	OUTPATIENT SERVICES	
110621	*Medical services*	
110621.1	Medical services	Price survey
110622	*Dental services*	
110622.1	Dental services	Price survey
110623	*Paramedical services*	
110623.1	Paramedical services	Price survey
110630	HOSPITAL SERVICES	
110631	*Hospital services*	
110631.1	Hospital services	Reference PPP

Source: ICP, http://icp/worldbank.org/.
Note: PPP = purchasing power parity.

widely dispersed the outlets are in a data collection center the better is the quality of the prices. National statistical offices (NSOs) coordinate the price survey at the economy level.

Significant aspects of the survey are the representativity and importance of the items in the list. The selected outlets would comprise pharmacies in city centers, government administrative areas, residential areas, and, where appropriate, capitals of regions or big rural areas. It is recommended that the ICP NCAs target major cities that have a good distribution of pharmaceutical outlets. Resources permitting, prices for pharmaceutical products sold in rural areas and villages are also obtained. Prices are not collected from street stalls or mobile vendors unless such sales are legal and practiced on a large scale.

An important aspect to consider in designing the quarterly schedule of activities is the size of the relevant economies. In small economies, all the pharmacies can be surveyed in a short time, whereas larger economies will require more organization. For example, the first month of the quarter could be used to collect the prices to be captured, validated, and transmitted in the second month to the ICP RCA. The third month could be used to address exceptional circumstances (e.g., remote survey area, seasonal drugstores, and survey forms from rural areas).

Price Sources

Preference is given to officially registered pharmacies in the capital and major cities of the economy. If the number of pharmacies is high and the outlets are well distributed over the locations, the NCA could conduct the survey in a sample of a representative set of pharmacies. In small cities, it is recommended that the data collection form be administered in all registered pharmacies. When mobile vendors or street stalls are important in the cities, prices can be collected from those outlets, but care must be taken to ensure the comparability of these prices.

Table 7.2 Health Expenditure by Government, ICP 2011

Code	Aggregate or basic heading	Data source
130000	**INDIVIDUAL CONSUMPTION EXPENDITURE BY GOVERNMENT**	
130200	HEALTH	
130210	HEALTH BENEFITS AND REIMBURSEMENTS	
130211	*Medical products, appliances, and equipment*	
130211.1	Pharmaceutical products	Reference PPP
130211.2	Other medical products	Reference PPP
130211.3	Therapeutic appliances and equipment	Reference PPP
130212	*Health services*	
130212.1	Outpatient medical services	Reference PPP
130212.2	Outpatient dental services	Reference PPP
130212.3	Outpatient paramedical services	Reference PPP
130212.4	Hospital services	Reference PPP
130220	PRODUCTION OF HEALTH SERVICES	
130221	*Compensation of employees*	
130221.1	Compensation of employees	Compensation data collection
130222	*Intermediate consumption*	
130222.1	Intermediate consumption	Reference PPP
130223	*Gross operating surplus*	
130223.1	Gross operating surplus	Reference PPP
130224	*Net taxes on production*	
130224.1	Net taxes on production	Reference PPP
130225	*Receipts from sales*	
130225.1	Receipts from sales	Reference PPP

Source: ICP, http://icp/worldbank.org/.
Note: PPP = purchasing power parity.

Prices to Be Reported

The outcome of the survey is a set of sound national average prices for pharmaceutical products. These prices are computed on the basis of a quarterly survey of individual price quotations for each active substance (product) in the list.

All prices reported for pharmaceutical products should be full market prices. The full market price is the total price for a specified drug, including all potential government subsidies. Full market prices are obtained by establishing the total amount received by the sellers. When data on the subsidies are not available for each specified drug, an estimated flat rate of subsidies is applied to the reported prices. It is essential that full market prices and subsidized prices not be compared directly. The resulting PPPs would be heavily biased.

Products to Be Priced

The identification of pharmaceutical products is based on a definition of the active substance in each product and its strength. An additional dimension to be considered in pricing is that pharmaceuticals are available as branded, original, or generic products.

Branded drugs are medicines produced and sold by pharmaceutical companies. Normally, the drugs produced by large pharmaceutical companies that invest in research and development into new drugs are called *original* or brand-name medicines. When a pharmaceutical company initially develops and markets a

particular drug, that drug is usually under a patent that grants exclusive sales rights to the parent company.

Generic drugs are medicines that are identical, or bioequivalent, to an existing brand-name medicine in dosage form, safety, strength, mode of administration, quality, performance characteristics, and intended use. Although generic medicines are chemically identical to their branded counterparts, they are typically sold at prices lower than those for the branded product. The principal reason is that the drug has already been tested and approved—the cost of bioequivalence testing and the actual manufacturing will be only part of the original costs. In general, the only differences between the brand-name product and the generics are the price and the trade name.

In the context of the ICP *it is important not to compare price quotations for branded and generic drugs directly*. The resulting PPPs would be heavily biased. To avoid this quality problem and to ensure the comparability of the products priced, the global core list (GCL) of pharmaceutical products classifies each item as either a branded pharmaceutical product (called an "original" or "international brand" in the GCL) or a generic pharmaceutical product (called a "generic" or "generic brand" in the GCL).

It is crucial that this distinction be followed when the products are priced. Specialists—for example, pharmacists—are well informed about the brand status of available products. It is also important, especially for generic products, to indicate the observed name of the generic medicine. For branded medicines, it is essential to note the observed name of the product, especially when this name differs from the one on the survey form or in the product catalog.

It is strongly recommended that the distinction between branded and generic drugs also be followed for region-specific pharmaceutical items if these have been introduced.

Pharmaceutical products are identified in this survey according to their *active substance* (i.e., the active ingredient of the product). The dosage on the list is typical; when it differs from the observed one, this information should be reported as a deviation and noted in the data collection form. The person responsible for filling out the form should report prices for the specified pharmaceutical form or presentation of the product (such as tablets, syrup, or powder) when available. In the typical pharmacies of administrative centers or residential areas, all the substances in the list are available in the given pharmaceutical form (pill, tablet, syrup, injection, powder, cream, etc.).

Quantity is important for comparability. The observed quantity does not have to be exactly the same as the preferred quantity specified in the list. Even if the quantity ranges, for example, from 5 tablets (observed) to 30 tablets (preferred) or vice versa, the prices are recalculated to the preferred quantity before the national averages are generated. The Global Office recommends obtaining sufficient quotations for each product at all outlets. One to four quotations could be a minimum, but it may be that such numbers are typical in some areas. At least one quotation is needed for each active ingredient available in the given pharmaceutical form (product presentation).

The *product example* given and *image* shown in the ICP product catalog are included simply to facilitate understanding the product description; they are not necessarily the actual samples to be surveyed. For example, Aspegic is not the only medicine representing acetylsalicylic acid (commonly known as aspirin) in the form of sachets of powder. Depending on the location of the pharmacy, an alternative brand name could be priced, but it is critical to adhere strictly to the prescribed pharmaceutical form—say, sachets of powder for Aspegic. Indeed, this survey works like a medical prescription in an international context. All the substances listed are required in the prescribed pharmaceutical form and brand. This confirms the indicative nature of the example given, especially in a context in which the economy has specific foreign trade relations that determine the availability of products in the marketplace.

In the case of Aspegic, the observed quantity may not be exactly 20 sachets as in the list, or the dosage may differ slightly. But if the substance is available in the pharmacy with the given dosage or the specified number of sachets, it should be priced and recorded.

Specifications may slightly differ from the standard specification provided in the product catalog, but specified and observed products

must be comparable. In case of doubt, the assistance of the pharmacist is crucial because he or she is knowledgeable about the drug and able to ensure comparability. Communication between the NCAs and pharmacists is essential for better coordination of price collection. Including the pharmacist's name and contact (phone number) on the data collection form will serve that purpose.

Other Medical Products and Therapeutic Appliances and Equipment

The GCL includes nine items for the other medical products and therapeutic appliances and equipment basic headings.

For the two basic headings referring to medical products, the normal ICP routine is followed on the types of item definitions employed, the sampling of outlets, and price collection. However, the prices observed in types of outlets other than pharmacies (e.g., supermarkets, low-cost optician chains, Internet shops) should be reported in accordance with their share of sales volume. The shop sample has to be representative. Because significant price differences are expected, relying only on one or the other shop type would not give correct national average prices.

OUTPATIENT SERVICES

The outpatient services group covers three basic headings: medical services, dental services, and paramedical services. The global core list includes 12 items for these basic headings.

Price Sources

Prices for outpatient health services would be collected *only from private service providers* because a segment of the public service providers is covered by the basic headings related to the health expenditure by government. Different approaches to comparison are employed for these basic headings.

The principle for distinguishing between *private* and *public* service providers (a "market producer" and a "nonmarket producer" in national accounts terms) should be in line with the distinction applied in the System of National Accounts (Commission of the European Communities et al. 2008):

> **Market producers** are establishments whose output is all or mostly market production. To be considered as a market producer, a unit must provide all or most of its output to others at prices that are *economically significant*. Economically significant prices are prices that have a significant effect on the amounts that producers are willing to supply and on the amounts purchasers wish to buy. These prices normally result when:
>
> The producer has an incentive to adjust supply either with the goal of making a profit in the long run or, at a minimum, covering capital and other costs; and
>
> Consumers have the freedom to purchase or not purchase and make the choice on the basis of the prices charged.
>
> Private providers for the health sector can for example be self-employed doctors, dentists, nurses, private clinics, private health centers, private laboratories, private X-ray centers, etc.
>
> **Nonmarket producers** consist of establishments owned by government units or NPISHs [nonprofit institutions serving households] that supply goods or services free, or at prices that are not economically significant, to households or the community as a whole. These producers may also have some sales of secondary market output whose prices are intended to cover their costs or earn a surplus: for example, sales of reproductions by nonmarket museums. Though government and NPISHs may have establishments undertaking market production, including own account capital construction, most of their activity will be undertaken on a non-market basis.

Prices to Be Reported

All prices reported for the items under outpatient services group should be *full market prices.* The full market price is the *total amount* that the private service provider receives for supplying the health service specified. Special attention is required because this can be the sum of payments made by different actors:

- Households
- Government

- Private insurance companies
- Nongovernmental organizations (NGOs), NPISHs, or other health-related actors.

If the prices paid by households are not the full market prices, the shares paid by other actors should be obtained. Moreover, it should be noted that actors may pay different amounts for the same service because of differently granted conditions, special arrangements, or government-sponsored health campaigns that target specific diseases and provide free or subsidized medicines, while households purchase everything else.

The main issue is to ensure that all the relevant price information is collected during the survey in order to calculate and report the full market prices.

Pricing Scenarios

Reporting full market prices in a situation in which payments can be made by different actors results in different pricing scenarios. Price information can be obtained from

- Private service providers
- Appropriate government authorities such as ministries of health
- Private insurers
- NGOs, NPISHs, or other health-related actors.

Generally, four pricing scenarios can be identified:

1. *Full payment by household at purchase.* Household pays the full market price to the private service provider. This is the price to be reported. The fact that the household may be subsequently reimbursed by the government or a health insurer is not relevant.
2. *Partial payment by household at purchase.* Household pays only part of the full market price to the private service provider, with the government, private health insurer, NGO, or NPISH paying the remaining part of the full market price directly to the private service provider. The price to be reported is the "composite price"—that is, the amount paid by the household to the private service provider plus the amount paid by the other actor(s) to the private service provider.
3. *Full payment by government at purchase.* Household pays nothing to the private service provider, and the government covers the entire market price. The price to be reported is the amount paid by the government to the private service provider.
4. *Full payment by private insurer, NGO, or NPISH at purchase.* Household pays nothing to the private service provider, and the private insurer, NGO, or NPISH pays the full market price. The price to be reported is the amount paid by the private insurer, NGO, or NPISH to the private service provider.

For the second and third scenarios, the prices have to be obtained both from the service provider and from the government, private insurer, NGO, or NPISH. Regarding the government, the national social security system usually has price lists for different health services, often with thresholds. However, price collection may not be as straightforward as just implied. In some economies, households do not pay anything to the private service provider, who is subsequently reimbursed by the social security system in accordance with a general agreement between the government and the private health service provider. In other words, it may happen that no actual price exists for a particular service, only a lump sum from the government to a private service provider. This sum can be calculated based on, for example, the total number of visits to a given clinic or the size of the population living in a given area. As for private insurers, NGOs, or NPISHs, the situation can be similar—that is, it may not be possible to obtain directly prices related to a certain individual service.

Because of the differences in the national health service systems, the NSOs should study specific cases and find the best approaches to establishing reliable full market prices for the specified health services.

REFERENCE

Commission of the European Communities, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, and World Bank. 2008. *System of National Accounts 2008*. http://unstats.un.org/unsd/nationalaccount/SNA2008.pdf.